

# **APPLICATION FOR CERTIFICATION**

## **COMMUNITY HOUSING DEVELOPMENT ORGANIZATION**



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### **CITY OF HOUSTON HOUSING AND COMMUNITY DEVELOPMENT DEPARTMENT**

**Milton Wilson, Jr., Director**

**January 2005**

**A Community Housing Development Organization or CHDO is a (501)(c) (3) private non-profit entity established with a goal of producing and/or preserving safe, decent, affordable housing for lows and moderates income residents. CHDOs are governed by a board of directors having significant representation from low and moderate income residents and/or areas.**

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Since 1993, the City of Houston's Housing and Community Development Department (HCDD) has certified qualifying organizations as Community Housing Development Organization (CHDOs). Once certified, The CHDOs receive a special package of assistance in that CHDOs are eligible:

- to apply for HOME set-aside funds to finance construction of an affordable housing project(s);
- to apply for funds to cover operating expenses (**a one-time allocation**) while development of a HOME-funded housing project is underway; and
- to secure organizational development and/or technical assistance from the Local Initiatives Support Corporation (LISC) – Houston Office.

This packet describes the application process, identifies the criteria for securing certification and outlines the required documentation that must accompany the submitted application. In order to secure CHDO certification, the applicant must complete the enclosed forms (**e.g., Application, Board Member Information Sheet etc.**) and submit all required documentation. Failure to do so will delay the application's review and processing. Questions about CHDO certification should be directed to Strategic Planning at 713.868.8440.

## **Recertification**

In addition to "certification," HCDD also has responsibility for "recertification" of CHDOs. The goal of the Recertification Program is to document that the individual agency still satisfies the criteria to be designated a Community Housing Development Organization and to update information about each CHDO and the current project being developed. CHDOs are recertified each time they receive a set-side allocation or CHDO operating periods. When recertification is required, each CHDO is given eight (8) weeks to submit a completed application. If the application is not submitted in a timely manner, the CHDO is decertified. With decertification, the organization is not eligible for any funds and/or services reserved for CHDOs. When a CHDO is "**decertified**," there is a six-month waiting period, which must pass before the organization can reapply for "**certification**." Failure to secure recertification is considered when the agency reapplies for certification.

## CHDO CERTIFICATION CRITERIA

1. Applicant/organization has been in existence for at least two (2) years before applying for certification.
2. Organization has obtained Charter, By-Laws, Articles of Incorporation and has been designated a (501) (c) (3) non-profit corporation by the Internal Revenue Service. Certification will not be conferred without designation as a 501 (c) (3). Submission of the application is not sufficient.
3. One-third of the board consists of representatives of the low income Community. Organization demonstrates board representation from throughout community served.
4. Must have successfully completed a housing project (e.g. rehabilitation and/or new construction).
5. Applicant is organized under State and local laws.
6. **In order to maintain status as a Community Housing Development Organization, the agency must submit an application for affordable housing, within the year of certification. Failure to submit an eligible project will result in decertification as of February 28, 2005.**

See page 7 for checklist of documentation that must accompany application.

## CHDO CERTIFICATION PROCESS

1. Organization submits completed Application Packet, with cover letter, to HCDD:

Milton Wilson, Jr., Director  
Housing and Community Development Department  
City of Houston  
601 Sawyer, 4<sup>th</sup> Floor  
Houston, Texas 77007

2. Review of application by HCDD is usually completed within three (3) weeks, **if all “required” information and/or documents are submitted.**
3. Organization is notified verbally or in writing about any deficiencies that exist in the application and is given three (3) weeks to address discrepancy.
4. Approximately four (4) weeks after submittal of the application, the organization is notified in writing as to whether or not the application for CHDO certification has been approved.
5. If the application is not approved, the reasons for disapproval are also outlined in writing.

# CHDO CERTIFICATION APPLICATION

Please complete the certification form and attach to other documentation required.

1. Name of Organization \_\_\_\_\_
2. Address \_\_\_\_\_
3. City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_
4. Phone Number \_\_\_\_\_ Fax Number \_\_\_\_\_
5. Name of contact person \_\_\_\_\_
6. Title \_\_\_\_\_ Phone Number \_\_\_\_\_
7. Has your organization previously been certified as a Community Housing Development Organization (CHDO) by the City of Houston's Housing and Community Development Department (HCDD)? Yes ( ) No ( )

If yes, has the name of your organization changed from the previous certification as a CHDO. Please provide the previous name of the organization in space below:

Name: \_\_\_\_\_

8. Has your organization been "decertified" as a CHDO by City of Houston HCDD?  
Yes ( ) No ( )

If yes, please explain reason for decertification. \_\_\_\_\_

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9. Please identify affordable housing projects sponsored by the organization.

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_

10. Identify source(s) of funding for project.

HOME ( )

CDBG ( )

Other ( )

Specify \_\_\_\_\_

11. On a separate page, provide a brief description of each project citing the location and number of units, identify beneficiaries and the impact on the surrounding community. Include a map displaying locations of project(s).

## BOARD MEMBER INFORMATION

**As a board member of a designated Community Housing Development Organization (CHDO), please provide the following information:**

Name of Organization: \_\_\_\_\_

NAME: \_\_\_\_\_

HOME ADDRESS: \_\_\_\_\_

\_\_\_\_\_

PHONE: HOME (\_\_\_\_) \_\_\_\_\_ BUSINESS (\_\_\_\_) \_\_\_\_\_

OCCUPATION: \_\_\_\_\_

BUSINESS ADDRESS: \_\_\_\_\_

\_\_\_\_\_

### **PLEASE CHECK ANY OF THE FOLLOWING THAT APPLY TO YOU:**

- ( ) I am a resident of a low-income neighborhood. (This does not mean that you must be a low-income person, only that your residence is in a low-income neighborhood.)
- ( ) I am a low-income resident of the community. (Community can mean neighborhood, the city, county, or metropolitan area.)
- ( ) I am an elected representative of a low-income neighborhood organization. (A low-income neighborhood organization is an organization composed primarily of residents of a low-income neighborhood. Examples of such organizations are: block groups, town watch organizations, civic associations, neighborhood church groups, etc.)
- ( ) I am a representative of the public sector. (A public sector representative is any elected public official, any appointed public official, any public/government employee of a public agency or department, or any individual who is appointed by a public official to serve on a CHDO board.)

**I certify that the information is correct as of the date indicated below.**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

## CHDO CHECKLIST

*The information contained in this checklist refers to the definition of Community Housing Development Organization (CHDO) in Subpart A, Section 92.2 of the HOME Final Rule. This checklist should be used as a tool to educate participating jurisdictions about the documents they must receive from a nonprofit before it may be certified as a CHDO.*

### I. LEGAL STATUS

- A. The nonprofit organization is organized under State or local laws, as evidenced by:  
\_\_\_\_\_ **A Charter, OR**  
\_\_\_\_\_ **Articles of Incorporation.**
- B. No part of its net earnings inure to the benefit of any member, founder, contributor, or individual, as evidenced by:  
\_\_\_\_\_ **A Charter, OR**  
\_\_\_\_\_ **Articles of Incorporation.**
- C. Has a tax exemption ruling from the Internal Revenue Service (IRS) under Section 501(c) of the Internal Revenue Code of 1986, as evidenced by:  
\_\_\_\_\_ **A 501(c) Certificate from the IRS.**
- D. Has among its purposes the provision of decent housing that is affordable to low and moderate-income people, as evidenced by a statement in the organization's:  
\_\_\_\_\_ **Charter,**  
\_\_\_\_\_ **Articles of Incorporation,**  
\_\_\_\_\_ **By-laws, OR**  
\_\_\_\_\_ **Resolutions.**  
\_\_\_\_\_ **A HUD approved audit summary**



## II. CAPACITY

- A. Conforms to the financial accountability standards of Attachment F of OMB Circular A-110, "Standards for Financial Management Systems," as evidenced by:

\_\_\_\_\_ **A notarized statement by the president or chief financial officer of the organization;**

\_\_\_\_\_ **A certification from a Certified Public Accountant; OR**

\_\_\_\_\_ **A HUD approved audit summary.**

- B. Has a demonstrated capacity for carrying out activities assisted with HOME funds, as evidenced by:

\_\_\_\_\_ **Resumes and/or statements that describe the experience of key staff members who have successfully completed projects similar to those to be assisted with HOME funds, OR**

\_\_\_\_\_ **Contract(s) with consulting firms or individuals who have housing experience similar to projects to be assisted with HOME funds to train appropriate key staff of the organization.**

- C. Has a history of serving the community where housing to be assisted with HOME funds will be used, as evidenced by:

\_\_\_\_\_ **Statement that documents at least one year of experience in serving the community, OR**

\_\_\_\_\_ **For newly created organizations formed by local churches, service, or community organizations, a statement that documents that its parent organization has at least one year of experience in serving the community.**

**NOTE:** The CHDO or its parent organization must be able to show one year of serving the community from the date the participating jurisdiction provides HOME funds to the organization. In the statement, the organization must describe its history (or its parent organization's history) of serving the community by describing activities which it provided (or its parent organization provided), such as developing new housing, rehabilitating existing stock, and managing housing stock, or delivering non-housing services that have had lasting benefits for the community, such as counseling, food relief, or childcare facilities. The statement must be signed by the president of the organization or by a HUD-approved representative.

### III. ORGANIZATIONAL STRUCTURE

- A. Maintains at least one-third of its governing board's membership for residents of low income neighborhoods, other low-income community residents, or elected presentatives of low-income neighborhood organizations, as evidenced by the organization's:

\_\_\_\_\_ **By-Laws,**  
\_\_\_\_\_ **Charter, OR**  
\_\_\_\_\_ **Articles of Incorporation.**

Under the HOME Program, for urban areas, the term "community" is defined as one or several neighborhoods, a city, county, or metropolitan area. For rural areas, "community" is defined as one or several neighborhoods, a town, village, county, or multi-county area (but not the whole state).

- B. Provides a formal process for low-income, program beneficiaries to advise the organization in all of its decisions regarding the design, siting, development, and management of all HOME-assisted affordable housing projects, as evidenced by:

\_\_\_\_\_ **The organization's By-laws,**  
\_\_\_\_\_ **Resolutions, OR**  
\_\_\_\_\_ **A written statement of operating procedures approved by the governing body.**

- C. A CHDO may be chartered by a State or local government, however, the State or local government may not appoint: (1) more than one-third of the membership of the organization's governing body; (2) the board members appointed by the State or local government may not, in turn, appoint the remaining two-thirds of the board members; and (3) no more than one-third of the governing board members are public officials, as evidenced by the organization's:

\_\_\_\_\_ **By-Laws,**  
\_\_\_\_\_ **Charter, OR**  
\_\_\_\_\_ **Articles of Incorporation.**

- D. If the CHDO is sponsored or created by a for-profit entity, the for-profit entity may not appoint more than one-third of the membership of the CHDO's governing body and the board members appointed by the for-profit entity may not, in turn, appoint the remaining two-thirds of the board members, as evidenced by the CHDO's:

\_\_\_\_\_ **By-Laws,**  
\_\_\_\_\_ **Charter, OR**  
\_\_\_\_\_ **Articles of Incorporation.**

#### IV. RELATIONSHIP WITH FOR-PROFIT ENTITIES

- A. CHDO is not controlled, nor receives directions from individuals or entities seeking profit from the organization, as evidenced by:

\_\_\_\_\_ **The organization's By-laws, OR**  
\_\_\_\_\_ **A Memorandum of Understanding (MOU).**

- B. A CHDO may be sponsored or created by a for-profit entity, however:  
(1) The for-profit entity's primary purpose does not include the development or management of housing, as evidenced by:

\_\_\_\_\_ **The for-profit organization's By-laws**

**AND;**

- (2) The CHDO is free to contract for goods and services from vendor(s) of its own choosing, as evidenced by the CHDO's:

\_\_\_\_\_ **By-Laws,**  
\_\_\_\_\_ **Charter, OR**  
\_\_\_\_\_ **Articles of Incorporation.**

## EXCERPTS FROM AN IRS LETTER

*A sample of typical requests from the IRS to organizations seeking 501(c)(3) status is provided below. Although all situations are unique, this sample can help an organization more effectively plan and prepare for the process. For additional information, contact our local IRS office.*

- (1) Submit a detailed description of all the activities of the organization -- past, present, and planned -- showing how you operate or will operate to achieve your purposes. Each activity should be separately described and the description should include as a minimum, the following:
  - (a) Its purpose and nature.
  - (b) Frequency and duration.
  - (c) How, when, where, and by whom it was, is, or will be conducted.
  - (d) The requirements a person or organization must meet in order to participate in or receive benefit from the activity.
  - (e) The amounts of any charges or fees and the basis for them.
  - (f) What the activity has accomplished or will accomplish.
  - (g) State what percentage of the total time and effort of the organization is devoted to carrying out each activity.
- (2) If the organization pays, has paid, or will pay compensation to or on behalf of persons who are officers, directors, or trustees or members of their families, or any other compensation, submit the following:
  - (a) The name and title or relationship of such person to whom payment has been, is being, or will be paid.
  - (b) The nature and/or purpose of payments (i.e., salary, wage, housing allotment, car allowance, etc.) and the amount of payment made or to be made on behalf of such person. If payments are to be made in more than one category, state each separately.
  - (c) A detailed description of the positions filled by and the duties and services for which compensation will be paid.
  - (d) The amount of time each person devotes to the position (if prospective, how the payment will be affected by an upward or downward adjustment in time based on need of the organization).
  - (e) The qualifications (training, background, experience) of such person for the position, duties, and services.
  - (f) If any such person is employed outside the organization, the hours per week and weeks per year devoted to such outside employment.

- (g) Who determines compensation to be paid? What criteria is used to determine compensation?
  - (h) How do you or will you insure that all compensation paid is "reasonable" and in return for service rendered?
  - (i) Does the organization pay or plan to pay any of the personal living expenses of employees, directors, officers, founders, members, etc.? If so, explain in detail. Be specific.
- (3) Submit copies of any brochures, pamphlets, newsletters, advertisements, or other literature regarding your organization.
- (4) Providing housing for individuals who earn a certain percentage of an area's median income is not sufficient to establish that you are operated exclusively for charitable purposes, a prerequisite for exemption under Section 01(c)(3). Basing a determination of exempt status on a strict percentage test is generally not sufficient to confer tax-exempt status under Section 501(c)(3). If it appears that the organization may be engaged in assisting the poor and distressed, the organization must be able to show how it qualifies under 501(c)(3).

If you claim to be eliminating prejudice and discrimination, submit descriptions of the existing prejudicial and discriminatory conditions that exist in the areas you are targeting for assistance and an explanation of how your activities will seek to alleviate such conditions. Be specific in your descriptions. Describe any educational or other programs you will provide to eliminate prejudice and/or discrimination.

- (5) If you claim to combat community deterioration, submit descriptions of the areas you will be targeting for relief. Provide evidence of the deterioration of the community. State whether any of the areas you will be targeting for assistance have been recognized as depressed by a governmental agency.
- (a) Submit a copy of such determination as to the condition of the area served.
  - (b) Submit a description from the authorizing agency as to how that agency defines "blight."
- (6) State whether any of your housing recipients will earn more than 80% of the area's median income.
- (6) Why do you include moderate income families in your housing activities? How will this serve a charitable purpose? Discuss in detail.
- (8) Have you been issued an employer identification number? If so, please let us know the number that has been assigned to you.
- (9) Please submit any additional information you feel will help us better understand your organization.